

**Independent Review Guide
for OMB Circular A-76
Commercial Activity Cost Comparisons**

issued by SAF/FMCE
coordinated with HQ USAF/XPMR, SAF/AQCO, and HQ AFCQMI/MQCB

draft issued April 29, 1997

Table of Contents

Chapter 1	Introduction
Chapter 2	Performance Work Statements
Chapter 3	Management Plan/Most Efficient Organization (MEO)
Chapter 4	Independent Review Instructions for Government Cost Estimates Developed with COMPARE

Chapter 1

INTRODUCTION

1. OVERVIEW

A. This guide provides guidance for A-76 independent reviews required by AFI 38-203, *Commercial Activities Program*, and AFI 65-504, *Independent Review of Commercial Activity Cost Comparisons*. The guide contains procedures to determine the currency, reasonableness, accuracy, and completeness of a commercial activity (CA) cost comparison. The format and review steps provide uniformity in the method, scope, and depth of the review process.

B. An independent review is mandatory for all Government cost estimates developed for cost comparisons (including streamlined cost comparisons) and direct conversions. The purpose of the independent review is to provide the Air Force assurance the in-house cost estimate was prepared according to applicable directives. The review ensures the in-house cost estimate is sufficiently complete with respect to the Performance Work Statement (PWS), Most Efficient Organization (MEO), and the COMPARE generated cost comparison form. The in-house cost estimate must be fully documented and stand on its own without any further interpretation.

C. In the Air Force, the Deputy Chief of Staff, Plans and Programs, Manpower, Organization, and Quality (HQ USAF/XPM) is the office of primary responsibility (OPR) for the Commercial Activities (CA) program. AFCQMI/MQCB is the Air Force CA program administrator. At base level the servicing Manpower and Quality office is responsible for performing CA cost comparisons. The Deputy Assistant Secretary, Cost and Economics (SAF/FMC), is OPR for independent reviews. Major command (MAJCOM) headquarters financial analysis offices are responsible for independent reviews of cost comparisons involving 20 or more workyears. The purpose of command headquarters' review of larger cost comparisons is to safeguard the independence of the reviewer. At base level, the financial analysis office is responsible for certifying all cost comparisons involving less than 20 workyears. However, base level analysts may participate in larger cost comparison reviews (20 or more workyears) if a MAJCOM headquarters requests their assistance. Command headquarters may delegate a base- or wing-level analyst to complete the entire review task. MAJCOM/FMAs may also designate an independent reviewer from a wing or installation other than that where the function under study will be performed. MAJCOMs must authorize such delegation in writing, either by memorandum or message. MAJCOM/FMA should discuss the delegation with the Chief of the wing- or base-level analyst's office prior to such notification. The authorizing MAJCOM document must be included with the documentation for the review. If a MAJCOM delegates base- or wing-level analysts to perform the review, the MAJCOM retains responsibility for ensuring that the review process is conducted thoroughly with sufficient independence from installation pressures that the analyst can raise any questions contained in this manual.

Independent evaluation is critical to support Air Force decisions which affect the success of the Air Force mission, government jobs, and contractor livelihoods. *The sensitivity of this review and certification cannot be overemphasized.* Reviewers may be called on to testify in law suits against the government to explain specific areas of the cost comparison which were certified in the review process.

II. POLICY AND OBJECTIVES

A. Policy

1. The independent review fulfills the requirements in OMB Circular A-76 (Revised), 4 August 1983, specifically: "All cost comparisons must be reviewed by a qualified person from an impartial activity which is organizationally independent of the commercial activity being studied and the activity preparing the cost comparison." The review ensures that the servicing Manpower and Quality office prepared the cost comparison according to proper A-76 procedure as found in AFP 26-12, as supplemented by HQ USAF; see Chapter 4 for list of directives and HQ USAF-issued supplemental instructions. The review determines if the in-house cost estimate is derived from the requirements in the Performance Work Statement and solicitation documents. The review of the in-house cost estimate includes those costs that can be determined before the in-house cost estimate is submitted to the contracting office, and those costs that are determined when the cost comparison is performed (after bid opening) and the cost comparison form is completed.

2. To maintain impartiality and independence, *the reviewer must not participate, in preparing the in-house cost estimate.* To prevent inadvertent participation by a potential reviewer, the base comptroller should appoint a reviewer or reviewing team immediately after the formation of the base cost comparison steering group. For cost comparisons flagged for major command (MAJCOM) financial management analysis (FMA) certification, the comptroller immediately establishes an FMA point of contact. (Note: For some commands, the OPR for independent reviews may be FMC or some other office symbol. In such cases, later references to FMA in this guide refer to the appropriate OPR.) During the review process, the reviewer must not reveal the summary information from the cost comparison outside the FMA or Manpower and Quality office. This is a sensitive area and even the appearance of a conflict of interest between the reviewer and government employees or potential contractors cannot be tolerated.

3. This guide is organized according to AFP 26-12 (as supplemented by HQ USAF), which explains the line-item categories necessary to develop and document a cost comparison. The guide includes the review steps necessary to form a judgment as to the currency, reasonableness, accuracy, and completeness of the cost comparison and its conformity with AFP 26-12 (as supplemented by HQ USAF) and AFMAN 64-108, *Service Contracts*. Use the guide as a workbook and source of documentation to support the review process. The preparer of the cost comparison (not the financial analysis office) should correct any errors in computation or omission of required data. The reviewer should question all line-item entries as to their accuracy, completeness, and sufficiency of supporting documentation.

4. The independent reviewer coordinates on the PWS before it is finalized to ensure it meets the requirements outlined in Chapter 2. The analyst may review the MEO prior to completion of the Government cost estimate or choose to wait until the cost estimate is completed. Regardless of the method, the analyst provides the results of all reviews (interim and final) in writing to the servicing Manpower and Quality office performing the cost comparison. Interim review statements should emphasize any significant discrepancies or omissions requiring immediate corrective action. Only issue a final review statement when all major problems have been resolved; however, a final review statement should note any remaining minor errors or omissions.

5. If a cost comparison satisfies the review in terms of scope, depth, and documentation, the reviewer signs the cost comparison and a final review statement indicating the cost comparison follows

existing guidance. For major studies (20 or more workyears), only the MAJCOM reviewer may sign the cost comparison form at the "Independent Reviewer" block, unless the review has been delegated to a base or wing analyst as discussed in paragraph 1.C. above, in which case the delegated analyst may sign the cost comparison, indicating both his or her base or wing office symbol and the office symbol of the MAJCOM office which delegated the review.

6. The base-level servicing Manpower and Quality office sends the base level FMA all cost comparisons requiring independent review. Servicing Manpower and Quality offices should give comptroller offices as much advance notice as possible of the need for a future review. Should the cost comparison require MAJCOM financial analysis office certification, the base FMA will send the review material to their respective command headquarters FMA. On completing the review, the base-level FMA returns the cost comparison to the servicing Manpower and Quality office. MAJCOM financial analysis offices may require a copy of appropriate documentation to be maintained at MAJCOM level. (See paragraph V of this chapter for required documentation.) The appropriate review material includes: the PWS, the Quality Assurance Surveillance Plan, the Contract Administrator's Plan, the Management Plan (includes the MEO, Technical Performance Plan for best value procurements, Transition Plan, and Government cost estimate), the contract solicitation, and all other supporting documentation.

B. Review Objectives

The objective of an independent review is to substantiate the currency, reasonableness, accuracy, and completeness of the cost comparison. Further objectives are to:

1. Determine whether the PWS is consistent throughout, is accurate and clearly states the workload requirements to estimate the costs of in-house or contract performance.
2. Determine whether the PWS complies with AFMAN 64-108.

NOTE: The reviewer should generally follow functional, contracting and legal requirements which are based on the considered judgment of experts who are charged with developing the activity's minimum essential requirements, determining the necessary tasks, complying with acquisition regulations, writing unambiguous enforceable contracts, and complying with statutes and decisional law affecting the federal procurement process.

3. Assure the in-house cost estimate is based on the same PWS and performance standards as contained in the solicitation.
4. Determine whether the Management Plan, which includes the MEO and in-house cost estimate, have been developed, are based on the same requirements and workload in the PWS included in the solicitation, and have adequate supporting documentation.
5. Determine whether the estimates of government costs were complete, reasonable, accurate, and prepared according to AFP 26-12 (as supplemented by HQ USAF).
6. Ensure the supporting documentation is sufficient so the package stands on its own without further interpretation.

III. RESOURCE ALLOCATION

A. Preparation

1. To prepare for a review, examine AFP 26-12 (as supplemented by HQ USAF), AFMAN 64-108, the steps in this guide, and any Air Force guidance issued since the publication of these documents.

B. Review Time

Depending on the complexity of the cost comparison, the reviewer should complete a review of the PWS and MEO in 5 to 10 workdays and a cost data review in 5 to 10 workdays. These estimated times refer to direct work time. For planning purposes the steering group should generally allow four weeks for single function cost comparisons and six weeks for multi-function cost comparisons for the independent review. For highly complex cost comparisons, additional time may be required. In establishing review milestones, ensure time is allowed for correction and subsequent review of any significant problems. Also allow time for MAJCOM review, if applicable. The steering group, in coordination with the comptroller, must set the specific time allowed for the independent review. If review materials are provided incrementally over time (e.g., PWS, then MEO and cost comparison form at later dates), then the milestones set by the steering group would not be applicable, though the general guidelines for times to complete segments of the review (above) continue to be appropriate. Supervisors should, to the extent possible, allow reviewers to concentrate on the independent review once they have received review materials, and, depending on the analyst's experience, also allow time for prior preparation by studying Air Force guidance. Once review materials have been received, an independent review is generally a full-time task at least until interim or final review statements have been issued. Since independent reviews are a step in the cost comparison process which must be completed prior to proceeding with other steps in the process, comptroller personnel should make every effort to expedite the review process.

C. Due Dates

The chairperson of the steering group sets the due dates for reviews, coordinating with the comptroller (for MAJCOM reviews, coordinating with the financial analysis office director). However, significant errors or omissions resulting in a nonconcurrence, correction, and subsequent review of the cost comparison have precedence over due dates. Significant errors or nonconcurrence should be brought to the immediate attention of the chief of the financial analysis office and the chief of the servicing Manpower and Quality office.

IV. GENERAL REVIEW GUIDELINES

A. General

Cost comparisons consider all significant costs both for government and contract performance. However, common costs (i.e., costs that would be the same for either in-house or contract operations) are not computed, but must be identified by type of cost and included in the cost comparison documentation. Examples of costs which may be common (depending on the circumstances of the particular cost comparison) are: government-furnished equipment, material, supplies, and facilities. Be careful, however, in examining the requirements in the PWS. Some types of costs (e.g. supplies) may be common costs in one cost comparison but not in other cost comparisons.

B. Prorating a Performance Period

When the period of performance is less than a full year (usually the first period), all cost elements, except one-time conversion costs, should be prorated over the number of months in the performance period.

C. Relationship to the Budget

The reviewer must ensure that the requirements of the cost comparison, whether they would be accomplished in-house or by contract, have been coordinated with the installation budget office. Especially if the PWS specifies higher levels of support, ensure the changes have been approved and are programmed in the budget. (The key consideration is whether the budgets of these organizations would be revised if the mode of operation of the function undergoing cost comparison is changed.)

D. Inflation

Ordinarily inflation factors are applied to cost comparison estimates. Only factors provided by HQ AFCQMI may be used for A-76 cost comparisons. These rates are subject to change. Make sure you have the latest factors. The most recent factors can be found on the SAF/FMC home page.

NOTE: Not all costs are inflated in the outyears. Some examples are personnel costs subject to Economic Price Adjustment (EPA) clauses, depreciation costs for facilities and equipment, and costs of minor items.

E. Rounding Rule

AFP 26-12 (as supplemented by HQ USAF) instructs the preparer to round all entries on the cost comparison form to the nearest dollar. Round down from 1 to 49 cents and round up for 50 cents and above.

V. DOCUMENTATION AND REPORTING REQUIREMENTS

A. Documentation

1. Documentation provides a record illustrating that completed cost comparisons are current, reasonable, accurate, and complete with respect to AFP 26-12 (as supplemented by HQ USAF), AFMAN 64-108, and this guide. As a minimum, comptroller offices should maintain the following documentation to protect the reviewer and the government if the cost comparison is ever contested or audited:

a. A copy of the solicitation package, the signed and certified cost comparison form and supporting documentation, and all changes up to and including the final certified copy of the cost comparison.

b. A copy of the management plan, which includes the MEO and in-house cost estimate, and any documents which tie them to the PWS. (If the solicitation package and management plan are readily accessible in the serving Manpower and Quality office, a letter of reference to that effect suffices as documentation.)

c. A copy of interim working papers documenting the review process. This guide is a source of documentation to provide an audit trail of the review. Notes, calculations, references, and contacts may be annotated or attached to the review steps.

d. A copy of interim and final review statements identifying problems requiring corrective action and documentation of results. This documentation should include a file copy of the specific problem areas identified by the reviewer and follow-up corrective action taken by the servicing Manpower and

Quality office. Review documentation not only provides traceability but also indicates the thoroughness of the review.

e. A copy of the latest cost factors from HQ AFCQMI applicable to the cost comparison.

f. A copy of the civilian GS locality pay scale and/or WG hourly pay rates for the base year of the cost comparison. These schedules and rates are the basis for inflation adjustments to the first performance period and outyears.

B. Records Disposition

1. Maintain all documentation for independent reviews as for other commercial activity program documents (see AFMAN 37-139 for disposition instructions).

2. Before bid opening or contract award (in the case of negotiated acquisitions), all cost comparison documentation is sensitive data, is considered "For Official Use Only," and is secured (i.e., by lock and key). In addition, no individual without a "need to know" should have access to the cost comparison data. Supervision of a reviewer suffices as a "need to know." Thus comptroller personnel in the chain of command above a reviewer may have access to cost comparison data for the purpose of evaluating the reviewer's work or coordinating on packages. Reviewers, and all other comptroller personnel with access to the cost data, must read DODD 5500-7 and sign a statement acknowledging the responsibility not to reveal sensitive cost comparison data. The servicing Manpower and Quality offices provide the required statement. Forward signed statements along with the final review certification to the servicing Manpower and Quality office. After contract award, or beginning of in-house performance, all documentation may be stored in office files without extra security (i.e., lock and key). If, prior to contract award or beginning of in-house performance, anyone without a "need to know" has had unauthorized contact with cost comparison materials, notify the servicing Manpower and Quality office immediately.

NOTE: If a cost comparison is flagged for MAJCOM certification, the Manpower and Quality office forwarding the package for review includes a draft statement for the reviewer to assign, affirming that the reviewer has read and understood DODD 5500-7.

C. Reporting Requirements

1. Report the review results to the servicing Manpower and Quality office. If errors or omissions are noted during the review, document the results and provide a report to the servicing Manpower and Quality office for corrective action. A final certification will not be issued until the cost comparison conforms to the requirements in AFP 26-12 (as supplemented by HQ USAF), AFMAN 64-108, and any supplemental guidance. The following reports may be issued during the review:

a. Interim Review Statement

b. Final Review Statement

2. If conflicts arise during the review process which are not resolvable at base level, the installation financial analysis office notifies the MAJCOM manpower and financial analysis offices in writing of the need for assistance in reaching an agreement. MAJCOMs should notify SAF/FMCE of any conflicts which are not resolvable at MAJCOM level. SAF/FMCE will work such disagreements with HQ USAF/XPM or HQ AFCQMI.

VI. SIGNIFICANT ERRORS

A. Nature of Significant Errors

A significant error is an error in procedure, costing, or documentation which may, if not corrected distort the final outcome of the comparison or result in a successful protest by its existence.

Throughout the course of the independent review there are particular steps which are considered significant enough to be reported immediately in writing to the servicing Manpower and Quality office. In this guide a significant procedural or documentation error is indicated by an asterisk (*). All costing errors should be considered at least potentially significant.

NOTE: There may be other non-asterisked steps which the reviewer feels are also significant and should be immediately reported to the servicing Manpower and Quality office. A significant error in procedure or documentation may be a matter of judgment by the reviewer. Any element required by this guide, AFP 26-12 (as supplemented by HQ USAF), or AFMAN 64-108, which is not found in a cost comparison is a significant error (unless a waiver has been granted by HQ AFCQMI or AF/XPM, which must be documented).

B. Significant Errors and Interim or Final Review Statements

Significant errors are such that they must be corrected prior to certification. Minor discrepancies and additional comments or recommendations of a less significant nature can be reported to the servicing Manpower and Quality office attached to the interim or final review for correction.

NOTE: Only manpower personnel actually make corrections in cost comparison documents. The Interim Review Statement may thus be forwarded more than once for the same independent review: for example, if the review is conducted in sections such as PWS first, then MEO, then cost data.

C. Examination of Responses to Interim Review Statements

An independent reviewer must carefully examine any responses to Interim Review Statements from the servicing Manpower and Quality office or from functional OPRs, *especially* to significant matters. Carefully examine such responses to see if any significant errors described in the Interim Review Statement have been adequately addressed. If the reviewer feels that significant errors have not been corrected, he or she should immediately discuss this with the servicing Manpower and Quality office and, if still unresolved, notify the base financial analysis chief (for command reviewers, the MAJCOM Director of Financial Analysis) of problems with certification.

VII. OPTIONAL ON-SITE VISITS

A. Conditions

On-site visiting is an optional means of substantiating the accuracy of documentation in the process of an independent review. The individual analyst or team of analysts should consult with their supervisor, the project officer responsible for the function, and the director or chief of the responsible financial analysis office when determining the advisability of an on-site visit. Especially if the reviewer works on the installation where the function will be performed, a visit to the site of performance would not be costly and may assist the reviewer in raising questions about PWS requirements or special circumstances (e.g., security badges for potential contract employees to access a flight line). Even if not located at the installation where performance will take place, a site visit may be of value. Especially in “new start” situations (e.g., conversions from contract to in-house and new requirements), a site visit may help the reviewer validate PWS requirements.

B. Purpose

One purpose of an on-site visit may be to review documentation for consistency with data previously submitted. Such a visit may provide an opportunity to discuss first-hand any matters that are unclear and to review source documents difficult to copy or mail.

C. Methods

Methods used in on-site visits may include reviewing files, job orders or historical data, interviewing functional OPRs, or discussing with the manpower POC the development of an MEO through the management plan. Any significant findings or discussion in the process of on-site visiting should be documented by a Memorandum for Record, which can be included as part of the documentation for the independent review.

Chapter 2

PERFORMANCE WORK STATEMENTS

I.. POLICY

Preparation of the PWS is critical since it is the basis for the cost comparison. It must be sufficiently comprehensive to ensure that in-house or contract performance satisfies government requirements. The PWS must clearly state **what** is to be done without describing **how** it is to be done. The PWS should describe the output requirements of the operation, including the responsibilities and requirements for facilities, equipment and material. It should also provide performance standards, maximum allowable deviation from standard, a method of surveillance, and a maximum payment percentage. The PWS forms the basis for both the in-house and contractor cost estimates.

II. OBJECTIVES

The independent reviewer must study carefully the PWS and solicitation documents which specify the scope of work and level of performance since they are the basis of both in-house and contract performance costs. Specifically:

A. The reviewer will verify that the steering group has developed a PWS with requirements which can be identified and priced.

B. The reviewer will verify that the MAJCOM steering group approved the PWS. If MAJCOM approval is not required by MAJCOM policy, the reviewer will verify that the base steering group approved the PWS.

C. The reviewer will determine if the in-house cost estimate is based on the same PWS as contained in the solicitation.

III. SCOPE

In regard to the PWS, the reviewer's task is to determine that the PWS complies with AFMAN 64-108. In regard to specific tasks, the reviewer's task is limited to determining whether the PWS data are consistent, are accurate and clearly state the workload requirements to estimate the costs of in-house or contract performance. The functional manager is responsible for determining the tasks to be in the PWS. Contracting and legal personnel are responsible for developing contractual language in the PWS and solicitation which is unambiguous and enforceable, complying with acquisition regulations, statutes and decisional law affecting the federal procurement process. These responsibilities do not fall within the scope of the FMA review.

The PWS should accurately describe the essential and technical requirements for items, materials, or services including the standards used to determine whether these requirements have been met. Since the PWS establishes the baseline for the cost comparison, the data should be critically reviewed to assess their clarity and completeness for cost estimating purposes.

IV. REVIEW STEPS

Before beginning the actual review of the PWS, review the requirements of AFP 26-12 (as supplemented by HQ USAF), and AFMAN 64-108. The contract solicitation document also contains information which is important to the development of the cost comparison, such as information on performance periods, economic adjustment clauses, and, in some cases, contractor insurance requirements.

NOTE: The numbered steps below and throughout the rest of this guide outline a systematic method of conducting an independent review. The first number indicates which chapter in this guide the step is found. Step 300, for example, is found in chapter 3.

200 The PWS review may be accomplished concurrently with the review of the in-house cost estimate. However, the PWS review can be accomplished any time following the approval of the PWS by the appropriate authorities, as long as it is completed in time for the in-house cost estimate to be reviewed and sealed prior to receipt of contractor bids or proposals. Any comments or recommendations resulting from the PWS review should be provided to the steering group chairperson (servicing Manpower and Quality office). Keep a backup copy of any comments or recommendations.

201 This step examines the PWS package and the elements within it to see that all required elements are present.

NOTE: Review AFMAN 64-108, Service Contracts, before beginning the next section.

201.1 Check the PWS package to see that it has the following required parts

201.11 Performance Work Statement	YES _____	NO _____*
201.12 Quality Assurance Surveillance Plan	YES _____	NO _____*
201.13 Contract Administrator's Plan	YES _____	NO _____*

201.2 Check the PWS for completeness. Inspect it to see if it contains all of the following elements:

201.21	General Information (Section C-1)	YES _____	NO _____*
201.22	Definitions (Section C-2)	YES _____	NO _____*
201.23	Government Furnished Property and Services (Section C-3)	YES _____	NO _____*
201.24	Contractor Furnished Items and Services (Section C-4)	YES _____	NO _____*
201.25	Specific Tasks (Section C-5)	YES _____	NO _____*
201.26	Applicable Publications and Forms (Section C-6)	YES _____	NO _____*
201.27	Technical Exhibits (TEs)	YES _____	NO _____*

NOTE: The following are types of TEs:

1. Performance Requirements Summary	YES _____	NO _____*
2. Workload Estimates	YES _____	NO _____*
3. Maps and Work Area Layouts	YES _____	NO _____*
4. Required Reports	YES _____	NO _____*
5. Government-Furnished Items	YES _____	NO _____*

NOTE: First check to see if a Government-Furnished Items TE is present. If so, then check to see if the following sections are present:

- A. Government Furnished Facilities YES_____ NO_____*
- B. Government-Furnished Equipment YES_____ NO_____*
- C. Government-Furnished Material YES_____ NO_____*
- 6. Quality Standards YES_____ NO_____*
- 7. Performance Requirements Summary Table (when random sampling is used
as the surveillance method) YES_____ NO_____

NOTE: Some PWSs may not have government furnished items. Even if this is the case, (Section C-3) should be included in the PWS format, with a statement that no property, equipment or services will be supplied by the government. Also, there may be cost comparisons in which not every element listed above is appropriate for that particular cost comparison. However, at least in the initial review the question should be raised if an element is missing. If an element should be present and is missing, this is a significant omission (note the asterisks above). If an element is not appropriate to a particular cost comparison, then its absence is not significant, though the format may be preserved by including the section with a comment that it is not applicable. Steps 202 through 208 below look at some of the above elements of the PWS in greater detail.

201.3 If any negative responses have been checked under step 201, make a checkmark at step 209 next to 201.

NOTE: A more detailed examination of the PWS now begins.

202 Examine the General Information section (C-1) of the PWS to see if it provides an adequate overview.

202.1 Is there a brief summary of what the function is and the location at which it is to be performed? YES_____ NO_____

202.2 Are personnel matters addressed, including the role of a project or contract manager and any special requirements of personnel (e.g. security requirements or specialized training)? YES_____ NO_____

202.3 Are requirements for the contractor to provide quality control addressed? YES_____ NO_____

202.4 Are the government's quality assurance methods addressed? YES_____ NO_____

202.5 Are hours of operation specified, including normal duty hours and a list of federal holidays? YES_____ NO_____

202.6 If applicable, are requirements to support emergencies and contingencies outside normal duty hours addressed? N/A_____ YES_____ NO_____

202.7 Are local requirements regarding subjects such as safety, fire prevention, physical security, traffic control, energy conservation or other appropriate concerns addressed? YES_____ NO_____

202.8 Has the General Information section (C-1) provided a satisfactory overview of the PWS?
YES_____ NO_____

202.9 If any negative responses have been checked under step 202, make a checkmark at step 209 next to 202.
YES_____ NO_____

203 Examine the Definitions section (C-2) to see whether or not it establishes adequate common meanings for the activities, concepts and terms used throughout the PWS.
YES_____ NO_____

203.1 Are all special terms in the PWS (including technical exhibits) defined so that they are readily understandable?
YES_____ NO_____

203.2 Have all acronyms, abbreviations or special terms been clearly defined?
YES_____ NO_____

203.3 Have terms used in the Specific Tasks section (C-5) been clearly defined?
YES_____ NO_____*

203.4 A good definition should not contain the word being defined. Are all the definitions in this section adequate?
YES_____ NO_____

203.5 If any negative responses have been checked under step 203, make a checkmark at step 209 next to 203.

204 Government Furnished Property and Services (Section C-3). When existing assets used by the Government's MEO are not provided to the ISSA or contractor for use, the Air Force requires a cost-benefit analysis of the benefits to the Government. The determination not to provide MEO assets must be supported by current, accurate, and complete information and be provided to the independent reviewer. NOTE: Per AFI 65-501, paragraph 2.5.4.5, the independent reviewer must not have been involved in any way with preparing the cost-benefit analysis. If you find yourself reviewing a cost-benefit analysis you prepared, or assisted in preparing, notify your supervisor immediately.

204.1 Determine from the PWS and Management Plan/MEO whether or not government assets will be used by the MEO but not provided for contract or ISSA performance.
YES_____ NO_____*

204.11 If "NO" to 204.1, continue your review at Step 204.2.

204.12 If "YES" to 204.1, does the cost-benefit analysis justify the decision not to provide government assets (used by the MEO) for contract or ISSA performance? (Check the rationale in the analysis and all significant calculations. Check to see if the property or equipment in the PWS is consistent with the cost-benefit analysis and the MEO.)
YES_____ NO_____*

204.121 If "NO," identify in detail the reasons why the cost-benefit analysis does not justify its conclusions, or is inconsistent with the PWS or MEO, and forward your comments immediately to the servicing Manpower and Quality office.

NOTE: The cost-benefit analysis is not a part of the PWS. However, government furnished property and services contained in the PWS, used by the MEO, but not provided for contract or ISSA performance must be supported by such an analysis. Guidance on preparing cost-benefit analysis in support of A-76 cost comparisons is found in AFMAN 65-506, Atch 13.

- 204.2 Examine this section on Government Furnished Property and Services (C-3) to see if it adequately describes government facilities, equipment, and materials.
- 204.21 Are there any omissions of materials or services mentioned elsewhere in the PWS (especially in Section C-5, Specific Tasks) which should be included?
N/A_____ YES_____ NO_____
- 204.22 If equipment is to be supplied, has responsibility been assigned for its maintenance or, if necessary, replacement? N/A_____ YES_____ NO_____
- 204.23 For materials and equipment, has adequate provision been made for accountability and stewardship of government property by providing for an initial and closing inventory?
N/A_____ YES_____ NO_____
- 204.24 If property or facilities will be supplied, have provisions for possible alternations been made?
N/A_____ YES_____ NO_____
- 204.25 For property and facilities, have acceptable conditions and standards been set for return to the government after use by the contractor? N/A_____ YES_____ NO_____
- 204.26 Has use by the contractor of any property which is leased by the government been addressed? N/A_____ YES_____ NO_____
- 204.3 Are any government furnished property, equipment or services listed in the PWS (e.g. materials or utilities) consistent with any Government furnished materials listed in the contract solicitation document? N/A_____ YES_____ NO_____
- 204.4 If any negative responses have been checked under step 204, make a checkmark at step 209 next to 204.
- 205 Examine the section on Contractor Furnished Items and Services (Section C-4). It is not necessary that this list include all the items which the contractor will use, but only those specific items which may be essential to the function and which may therefore require mentioning. Excessive direction on items to be used should be avoided, since contractors may come up with different and perhaps more efficient means of performing the function. A general statement to the effect that the contractor shall furnish everything except for those services or items furnished by the government in Section C-3 is normally sufficient.
- 205.1 Does this section adequately describe the categories of items that the contractor will supply (materials, tools, equipment, etc.) N/A_____ YES_____ NO_____
- 205.2 Is the following statement true: there is no duplication in this section of property furnished by the government as found in Section C-3.
N/A_____ YES_____ NO_____
- 205.3 If materials or supplies must meet a minimum government standard, have the specifications been provided? N/A_____ YES_____ NO_____
- 205.4 If any other quality standards are required, have they been adequately specified?
N/A_____ YES_____ NO_____
- 205.5 If it would be unreasonable to expect a contractor to replace an item due to high cost or uncertain usage patterns, has provision been made for government reimbursement?
N/A_____ YES_____ NO_____
- 205.6 If any negative responses have been checked under step 205, make a checkmark at step 209 next to 205.

206 The specified tasks which form the heart of the PWS must be clearly identified before the PWS can be priced. The specific tasks are normally found in Section C-5. In addition, any corresponding performance indicators, standards and acceptable quality levels are normally identified in a technical exhibit on AF Form 713, Performance Requirements Summary.

206.1 Do the specific tasks reasonably correlate to the scope of work?

N/A_____ YES_____ NO_____*

206.2 Has the function as a whole and its major tasks and subtasks been broken down sufficiently so that the scope of work is reasonably clear?

N/A_____ YES_____ NO_____*

NOTE: In preparing the PWS, functional experts conduct job analysis to break down tasks into subtasks. (See AFMAN 64-108). For example, an activity such as vehicle maintenance might include tasks such as maintenance of vehicle electrical systems, coolant systems, etc. Questions concerning level of task breakout should be addressed to functional experts. The reviewer must ultimately make a judgment as to whether or not the task breakout is reasonable. However, tasks which are not sufficiently broken out may not be able to be adequately captured as costs. Therefore examining the description of tasks is a very important part of the review.

206.11 Have both the items to be operated upon in a particular work activity and desired outputs been clearly stated for each job activity, so that the expectations of those responsible for the function are clearly described?

N/A_____ YES_____ NO_____*

206.12 Can the tasks and materials be measured in terms of type, quantity, and time required, etc.?

YES_____ NO_____

206.121 If "YES," have the tasks or materials been sufficiently quantified?

YES_____ NO_____*

206.13 Are the data clear and do they provide an acceptable basis for an estimate?

YES_____ NO_____*

206.14 Do any workload estimates in Technical Exhibit 2 support the specific tasks?

(Specifically concentrate on the major cost drivers.)

N/A_____ YES_____ NO_____*

206.2 Have the duty hours for completing any specific tasks been spelled out?

YES_____ NO_____

206.21 Are any duty hours or other times for performing specific tasks consistent with any times of performance listed in the contract solicitation document?

YES_____ NO_____

206.22 If any tasks will be required during hours other than normal duty hours, have special duty hours for these tasks (including night shifts, overtime, or weekends) been indicated?

N/A_____ YES_____ NO_____

206.3 Should government sources be cited to specify any specific tasks or their method of accomplishment?

N/A_____ YES_____ NO_____

NOTE: Tasks do not necessarily have to be specified in government sources or Air Force guidance. However, as part of the review you should raise this question, since requirements for tasks sometimes are spelled out in technical orders or other Air Force guidance. Failure to cite a required task, or a required procedure to accomplish a task, could result in bids which do not really accomplish the needed work. Another consideration is that the PWS should generally state what needs to be done without dictating the method of accomplishment. However, there may be cases in which the Air Force has determined that a specific procedure is mandatory. Consult functional OPRs on the particular function under consideration. If a procedure has been mandatory in the past, one may raise the question whether it should continue to be mandatory in view of developments in technology or alternative ways of accomplishing a goal. For example, a base may want to request, through command headquarters, a review of a procedure mandated by Air Staff.

206.31 If government sources (e.g., Air Force instructions, manuals, technical orders, etc.) are referenced identifying what is to be done, is the reference specific (e.g., chapter , page number, section or paragraph number, etc.)?

N/A_____ YES_____ NO_____

206.32 Have *current* government sources been used to identify specific required tasks? Check the dates of any cited sources to see if they are consistent with publications information.

N/A_____ YES_____ NO_____

206.33 Is the following statement true: No government sources significant to the requirements of the activity undergoing cost comparison have been omitted.

N/A_____ YES_____ NO_____*

206.34 Could the requirement in any referenced sources be extracted and included in the PWS so that referencing could be eliminated?

N/A_____ YES_____ NO_____

206.4 If conforming to any government directives is required, does the package state where contractors may locate them?

N/A_____ YES_____ NO_____

206.5 If any negative responses have been checked under step 206, make checkmark step 209 next to 206.

207 Examine Section C-6, "Applicable Publications and Forms," to see if all directives or forms are referenced.

207.1 Have all the directives referenced in the PWS been listed by title and date?

N/A_____ YES_____ NO_____

207.2 Is the following statement true: there are no directives contained in the list which are not referenced in the PWS?

N/A_____ YES_____ NO_____

207.3 Has the responsibility for obtaining any future editions, supplements, amendments or changes to these directives been assigned to either the contractor or the government?

N/A_____ YES_____ NO_____

207.4 Has provision been made for changes in directives which would result in a change of contract price, whether an increase or a decrease?

N/A_____ YES_____ NO_____

207.5 Have all Government or Air Force forms which must be used been listed?

N/A_____ YES_____ NO_____

207.6 If any negative responses have been checked under step 207, make a checkmark at step 209 next to 207. N/A_____ YES_____ NO_____

208 Examine the Technical Exhibits section for agreement with the PWS. Technical exhibits may include performance requirements summaries, workload estimates, maps and work area layouts, required reports, descriptions of government furnished items, quality standards, acceptance/rejections tables, sample size charts, or any other technical materials in support of the PWS.

208.1 Are any cross-references in technical exhibits consistent with the cited sections of *this* PWS? N/A_____ YES_____ NO_____

208.2 Is the following statement true: there are no references in the PWS to technical exhibits which cannot be found in this Technical Exhibits section?

N/A_____ YES_____ NO_____

208.3 Does the total of all payment percentages equal 100% for each contract line item?

N/A_____ YES_____ NO_____

NOTE: A contract line item is a commercial activity function solicited as a unit, e.g. "commissary stocking" or "support services." Each line item may have a series of PRSs, for which the total of all payment percentages should equal 100%.

208.4 Check the Performance Requirements Summary (PRS, Technical Exhibit 1 to the PWS) against Section C-5 of the PWS for consistency. The PRS lists the service outputs to be evaluated by the Quality Assurance Evaluator. Check for consistency between these two sections and for a breakout of tasks so that costs can be reasonably estimated.

208.41 Is the following statement true: there are no inconsistencies between Section C-5 of the PWS and the PRS in Tech Exhibit 1? N/A_____ YES_____ NO_____*

208.42 Are requirements in the PRS sufficiently stated so that costs can be reasonably estimated? N/A_____ YES_____ NO_____*

208.43 Is there a workload estimate for each required service in the PRS?

N/A_____ YES_____ NO_____*

208.44 Does the PRS provide performance standards (indicators) and quality criteria?

N/A_____ YES_____ NO_____*

208.45 Payment percentages may be associated with PRSs. Payment percentages, if used, usually relate to more significant tasks in the contract. If payment percentages are used, check to see that the percentages for a given item do not exceed 100%. However, payment percentages do not necessarily total to 100%, since tasks of less significance may not be included.

208.451 If payment percentages are used, do they exceed a total of 100% for a given item?

N/A_____ YES_____ NO_____*

208.452 If payment percentages are used, do they appear to cover the more significant tasks in the activity?

N/A_____ YES_____ NO_____

208.5 If any negative responses have been checked under step 208, make a checkmark at step 209 next to 208.

209 This step gathers all negative responses from steps 201 thru 208. All negative responses in steps 201 thru 208 form the basis for comments or recommendations to the servicing Manpower and Quality office on the PWS. Checkmarks next to the step numbers below indicate that a negative

response has been entered under this step. Refer back to these sections to formulate your comments or recommendations, providing a specific page and paragraph reference in the PWS for every comment.

201_____	203_____	205_____	207_____
202_____	204_____	206_____	208_____

Provide any comments or recommendations based upon negative responses from steps 201 through 208 to the servicing Manpower and Quality office. Be sure to indicate if any comments address an error which is significant in nature. Certain steps in this review process have been noted as significant requirements. However, the analyst must also judge which recommendations are significant. A main criterion for the independent review is reasonableness. See AFI 65-504 for a definition of “reasonable” in the context of an independent review.

209.1 Have all comments or recommendations resulting from the negative responses in steps 201 through 208 been provided to the servicing Manpower and Quality office?

N/A_____ YES_____ NO_____*

209.2 Do any comments or recommendations found in the review of the PWS constitute a significant error in the entire PWS package? N/A_____ YES_____ * NO_____

210 Any amendments to the solicitation must be carefully examined to determine if they have any impact on the PWS. The content of any amendments impacting the PWS should be examined using applicable sections in this guide.

210.1 Do any amendments to the solicitation have a significant impact on the PWS which has not been accounted for? N/A_____ YES_____ * NO_____

211 Any significant errors found in the review of the PWS must be addressed before certification of the cost comparison can take place.

211.1 Have any significant errors found in the PWS been addressed?

N/A_____ YES_____ NO_____*

211.11 If you answered "NO" to 211.1, notify the servicing Manpower and Quality office that a problem with certification exists

211.2 If MAJCOM steering group approval of the PWS is required by MAJCOM policy, has such approval been obtained and is it documented in the package?

N/A_____ YES_____ NO_____*

NOTE: If approval by the MAJCOM steering group is required by MAJCOM policy and has not been obtained, such lack of approval constitutes a significant procedural error.

211.21 If you answered "NO" to 211.2, notify the servicing Manpower and Quality office that a problem with certification exists.

211.3 If you answered "YES" or “N/A” to steps 211.1 and 211.2, then this PWS section of the independent review is complete. Move on to chapter 3 of this Independent Review Guide.

Chapter 3

MANAGEMENT PLAN/MEO

I. POLICY

The servicing Manpower and Quality office develop a management plan to analyze the method of operation necessary to accomplish the requirements in the PWS. Development of the MEO is a crucial step in the cost comparison process. The management plan identifies essential functions to be performed and determines performance factors, organizational structure, staffing requirements, and operating procedures for the most efficient in-house performance of the CA. The MEO becomes the basis of the government estimate for the cost comparison with potential contractors. In this context, "efficient" (or cost-effective) means that the required level of workload (output, as described in the PWS) is accomplished with as little resource consumption (input) as possible without degradation in the required quality level of products or services. When developing the MEO, the performance standards in the PWS must be followed so that there are no workload data differences between the in-house and contract cost estimate. The management plan is a team effort which utilizes the talents of individuals with expertise in management analysis, staffing, position classification, work measurement, value engineering, industrial engineering, cost analysis, contracting, and the technical aspects of the functional areas under cost comparison. One of the objectives of the management plan team is to find new ways to provide the required products or services in a cost effective manner. The management plan is mandatory for all conversions of activities that are performed by more than 10 Air Force appropriated fund civilian employees.

II OBJECTIVES

The independent review must ensure that the Air Force prepared the in-house performance costs according to a management plan and MEO which are based upon a PWS that states the services to be conducted in the function undergoing cost comparison. Specifically, the reviewer must:

- A. Verify that a management plan and MEO have been completed and documented according to Air Force guidance.
- B. Verify that the management plan and MEO are based upon the same scope of work as directed in the PWS.
- C. Determine that data supporting the major cost drivers are traceable from the PWS to the MEO.
- D. Determine that the PWS and MEO are based on the same workload.

III. SCOPE

A. The MEO is the section of the overall management plan which summarizes the total resources (i.e., personnel, facilities, material, equipment and supplies) required to perform the work stated in the PWS. Management studies utilize a variety of management techniques, such as operational audits, work sampling, etc., to derive the MEO. The role of the independent reviewer is not to question the particular techniques that were used in a particular cost comparison, but rather to verify that the MEO is traceable to the PWS and is based on the same workload. Such verification includes examining the management plan documentation which links the MEO to the PWS.

B. Although it is the functional OPR's responsibility to develop the tasks in the PWS and the servicing Manpower and Quality office's to determine the manpower requirements in the MEO, it is the independent reviewer's responsibility to see that the management plan and MEO is documented, is certified by the servicing Manpower and Quality office, and is traceable to the tasks in the PWS. The reviewer's task is to identify any problems in these areas and communicate such problems to the servicing Manpower and Quality office.

IV. REVIEW STEPS

NOTE: The following information on the management plan and MEO provides background for the review.

After the PWS is initially developed (and concurrently with further development of the PWS), a management plan is conducted to determine the organization and personnel requirements necessary to perform the activity using an all-civilian work force. Military personnel assigned to the CA will be transferred according to the cost comparison transition plan, and are normally phased out as the MEO is phased in. Civilian grades and series will be based on the work described in the PWS; the management plan, and not the current organization's structure, determines the MEO. All personnel requirements are expressed in terms of full-time equivalents (FTEs) as prescribed in AFP 26-12 (as supplemented by HQ USAF). When productive hours are used as the basis for computing FTEs, the annual available hours specified in AFP 26-12 (as supplemented by HQ USAF) (1,776 hours for full-time and part-time positions and 2,007 for intermittent positions) will determine the staffing requirements. When methods other than productive hours are used (i.e., manpower standards, staffing guides, prior experience, work measurement, etc.), the method used must be documented in the management plan.

- 300 Is the PWS used in the management plan to determine the MEO the same as the PWS included in the solicitation? YES _____ NO _____ *
- 301 Is it clear that the required manpower in the MEO is based on the workload projected for the performance periods in the PWS and solicitation? YES _____ NO _____ *

NOTE: Answering this question involves a careful examination of the Specific Tasks section of the PWS (C-5), the workload estimates in Technical Exhibit 2, and the MEO. Moreover, tracing from the PWS to the MEO will involve looking at the supporting documentation in the management plan. Since the servicing Manpower and Quality office may employ a number of different management engineering approaches and procedures in conducting the management plan, it is beyond the scope of this guide to include questions which may relate to tracking workload through these different methods of conducting management studies. The question above may be difficult to answer in view of this complexity and in view of the fact that it involves manpower specialties with which cost personnel are usually not familiar. Any reviewer having such difficulty should seek to discuss the matter with manpower representatives and request written materials on the techniques used. Any clarification that results from such discussions

should be documented in a Memorandum for Record to be included as documentation of the independent review.

- 302 Is it clear that the required manpower in the MEO serves as the basis for the manpower costs in the in-house cost estimate? YES _____ NO _____ *
- 303 Are position descriptions written and classified for each required position identified in the MEO? YES _____ NO _____
- 304 [Reserved for possible future use.]
- 305 Are sources of information contained in the management plan clearly identified? YES _____ NO _____
- 306 Are the major elements of the required management plan format addressed? (ref AFP 26-12 (as supplemented by HQ USAF).) YES _____ NO _____

NOTE: Major elements in the format for documenting the management plan include a statement of purpose, discussion of current operations, recommendations, and analysis of resources impact.

- 307 Have appropriate functional offices approved the management plan? YES _____ NO _____ *
- 308 Has the MEO been certified by the servicing Manpower and Quality office? YES _____ NO _____ *
- 309 A Transition Plan (TP) for the cost comparisons is required by AFP 26-12 (as supplemented by HQ USAF). For the Air Force, the TP is part of the Management Plan. (Other agencies may have the TP as a separate document.) The TP is designed to minimize disruption, adverse impacts, and any difficulties associated with capitalization and other start-up requirements.
- 309.1 Does the Management Plan include a TP for the transition to or from current organizational structure to MEO, contract or ISSA performance? YES _____ NO _____ *
- 309.11 If "NO" to 309.1, notify the servicing Manpower and Quality office immediately.
- 309.2 Is the TP consistent with the Management Plan? YES _____ NO _____
- 309.21 If "NO" to 309.2, include comments on inconsistencies in your review comments.
- NOTE: The TP may involve phasing in employees at different periods of time. If this is the case, review the manpower costs in the Government cost estimate to ensure such costs have been phased in consistently. Provide comments on any inconsistencies.
- 310 A Technical Performance Plan (TPP) for in-house performance is required when the solicitation method used is a negotiated best value procurement. The TPP must be consistent with the Management Plan/MEO.
- 310.1 Do the solicitation documents indicate this solicitation will be a negotiated best value procurement? YES _____ NO _____
- 310.11 If "YES" to 310.1, does the documentation provided for review include a TPP? N/A _____ YES _____ NO _____ *

310.111 If “NO” to 310.11, notify the servicing Manpower and Quality office immediately.

310.112 If “YES” to 310.11, is the TPP consistent with the PWS, Management Plan/MEO, and any relevant data entered in COMPARE?

YES_____ NO_____

310.1121 If “NO” to 310.112, provide comments to the servicing Manpower and Quality office.

NOTE: The reviewer’s responsibility is to look for basic inconsistencies in the TPP or in the relationship of the TPP to the PWS, Management Plan/MEO, and COMPARE data, not to evaluate the judgments of technical experts in the function under study.

Chapter 4

Independent Review Instructions for Government Cost Estimates Developed with COMPARE

This chapter provides instructions for the independent review of A-76 cost comparisons developed with COMPARE, and addresses specific items that must be included in such reviews. These instructions are not intended to limit any aspect of a review.

GENERAL INSTRUCTIONS:

Use of COMPARE. Government cost estimates must be developed using the COMPARE software program, unless an approved command waiver is on file.

When To Apply These Instructions. These instructions apply to all cost comparisons and cost estimates developed with COMPARE. Specific review instructions are provided for:

A-76 Cost Comparisons (Atch 1)

Streamlined Cost Comparisons (Atch 3)

Direct Conversions (Atch 4)

Cost Estimates for Determining Fair and Reasonable Contract Prices for New Services
(Atch 5)

Performing a Complete Review. Independent reviewers should review all aspects of a cost comparison to ensure it meets all requirements. This includes, but is not limited to, review of the of the PWS and Management Plan (includes the Technical Performance Plan (TPP) for best value procurements) to ensure the Government Cost Estimate captures all relevant costs. While an independent reviewer is not expected to possess the expertise to challenge the PWS, MEO or TPP, obvious disparities between these documents as well as the Government Cost Estimate should be questioned. Essentially, a review determines if costs related to the Management Plan and PWS have been properly identified for both in-house and contract or ISSA performance, and if common costs (i.e., costs that would continue under either an in-house or contract operation) are excluded.

Directives. Air Force Commercial Activity Program governing directives are:

AFI 38-203, Commercial Activities Program

AFP 26-12, Manpower Policies and Responsibilities for Commercial Activities Program
(To be replaced by AFMAN 38-209, now under development)

HQ USAF/PER Memo, 3 Jan 96, Supplemental Guidance for AFI 38-203, Commercial Activities Program, and AFP 26-12, Guidelines for Implementing The Air Force Commercial Activities Program, and Miscellaneous Background Information

HQ USAF Memo, 8 Mar 96, Cost Comparison and Direct Conversion Candidates

HQ USAF Memo, 11 Jun 96, Use of Best Value in A-76 Cost Comparison Studies

HQ USAF Memo, 6 Sep 96, Air Force Costing Policy and Procedures for Cost Comparisons and Direct Conversions

IMPORTANT: Do not apply OMB Circular A-76 nor its supplement since they do not consider specific Air Force, DoD, nor legislative implementing requirements. Failure to follow AF implementing directives may result in appeals or protests.

Things You Must Do Before Starting Your Review:

Install COMPARE On Your Computer. The COMPARE software program must be installed on your computer. If it is not, install it before beginning your review. You can obtain a copy of the COMPARE Program and User's Manual, as well as installation assistance, from your servicing Manpower and Quality Office or developer of the cost comparison.

Obtain Current Cost Factors/Rates. You must have the most recent cost factors/rates before starting your review. These cost factors/rates are maintained on both the AFCQMI bulletin board system and the SAF/FM home page. See Chapter 1 of the COMPARE User's Manual for instruction on downloading these cost factors/rates. Name of the files to download are A76FCTRS.EXE, MRTABLES.ZIP and A76READ.ME. The A76READ.ME file is a text file and should first be read before using the other files.

Ensure You have A Current Copy Of This Instruction. If you have a paper copy of this instruction and it was not recently printed from the files on the SAF/FM home page, check to make sure your copy has the same date as the SAF/FM web site file INDREV.EXE.

Obtain All Required Review Materials. Ensure you obtain all required materials before you begin your review. Those required materials are itemized in the attachments.

ASSISTANCE. Command independent reviewers may obtain assistance by contacting Mr. Mike Marrone, SAF/FMCEE, DSN 225-5084. Installation independent reviewers should request assistance from their command financial management point of contact.

CHANGES TO THIS INSTRUCTION. Comments and recommendations to this instruction are encouraged and should be addressed to: SAF/FMCEE, ATTN: Mr Mike Marrone, 1130 Air Force Pentagon, Washington, DC 20330-1130.

Attachments:

1. Review of A-76 Cost Comparisons (with one Appendix)
2. Review of Conversion Differential Calculations
3. Review of Streamlined Cost Comparisons (SCCs)
4. Review of Cost Estimates for Direct Conversions
5. Review of Cost Estimates for Determining Fair and Reasonable Contract Prices for New Services

REVIEW OF A-76 COST COMPARISONS

This attachment provides instructions for reviewing A-76 cost comparisons. Essentially, the review involves the following five steps:

STEP 1: Obtain all required materials.

STEP 2: Audit study tables.

STEP 3: Audit individual records.

STEP 4: Audit cost comparison form.

STEP 5: Return the cost comparison form to the servicing Manpower and Quality Office.

STEP 1, Obtain All Required Materials. You will require the following materials for your independent review:

DID YOU RECEIVE THE FOLLOWING ITEMS?	ACTION REQUIRED
<ol style="list-style-type: none"> 1. Performance Work Statement (PWS) or Statement of Work (SOW). 2. Quality Assurance Surveillance Plan (QASP). 3. Management Plan, to include: <ol style="list-style-type: none"> a. MEO documentation. b. Printed Cost Comparison Form and Signatures Page. c. Transition Plan. d. Government Technical Performance Plan (when solicitation is for a negotiated best value procurement). 4. Printed copies of: <ol style="list-style-type: none"> a. Line Rationale Documentation. b. Common Costs Documentation (May be included as part of Line Rationale Documentation or as a separate attachment). c. Individual Records (listed at Appendix A to this attachment). d. Worksheets (listed at Appendix A to this attachment) for each cost element that shows an entry in the cost comparison form. e. Study Tables (listed at Appendix A to this attachment). f. Error List. 	<p>With the exception of Item 6 (Estimate Of Maximum Acceptable Contractor Bid Prices), ask developer for any missing items before proceeding with the review. By receiving the printed documents listed, it eliminates the requirement for you to re-print them plus allows you to review the currency of the documentation to be used to support the cost estimate. <i>Important:</i> If you received the Estimate Of Maximum Acceptable Contractor Bid Prices, <u>do not review it.</u> Instead, immediately and personally return it to the developer (in a sealed envelope) with instructions that it <u>should not</u> have been provided to you; this document contains extremely sensitive information.</p>

5. COMPARE Study File (computer password encrypted file)	
6. Printed Estimate Of Maximum Acceptable Contractor Bid Prices	

STEP 2, Study Table Audits. Perform the following table audits to ensure the correct values were applied to the study:

STUDY TABLE NUMBER	REVIEWS REQUIRED
2, GS Salary Factors	<p>1. Review to ensure the annual salaries shown in this table were in effect as of the <u>as of date of the base year</u> shown in the study. Also check the effective day, month and year of the <u>from and to</u> dates shown in this table to ensure they are correct. All dates must be the same for every line entry shown on this table. This audit is only required when GS civilian positions are included in the study.</p> <p>Data Source: Civilian Pay</p>
3, FWS Hourly Wage Factors.	<p>1. Review to ensure the hourly pay wages shown in this table were in effect as of the <u>as of date of the base year</u> shown in the study. Also check the effective day, month and year of the <u>from and to</u> dates shown in this table to ensure they are correct. All dates must be the same for every line entry shown on this table. This audit is only required when wage grade civilian positions are included in the study.</p> <p>Data Source: Civilian Pay</p>
4, NAF Inflation Relational Table	<p>1. Review to ensure local changes (if any) comply with Appendix B of the COMPARE Users Manual. This audit is only required when NAF civilian positions are included in the study.</p> <p>Data Source: Civilian Pay</p>
7, Fringe/Medicare Factors	<p>1. Review to ensure table values match the current values issued by AFCQMI.</p> <p>Data Source: AFCQMI Issued Values</p>
8, Inflation Cost Factors/Rates	<p>1. Review all table values to ensure they match the current values issued by AFCQMI.</p> <p>Data Source: AFCQMI Issued Values</p> <p>2. FWSPAY Inflation Factors (This audit is only required when wage grade civilian positions are included in the study): (a) Review to ensure the effective <u>FROM</u> month for these factors has been changed to match the effective <u>FROM</u> month shown in Study Table 3 (FWS Hourly Wage Factors); Important: No changes are allowed to the day and year in Table 8. The day must be 1 and the year must match the value issued by AFCQMI; (b) Also, review the <u>TO</u> month, day and year to ensure it was adjusted (as required) to ensure dates for each FWSPAY line entry run consecutively. Unlike the <u>FROM</u> dates, the <u>TO</u> month, day and year may be adjusted. The <u>TO</u> day, however, must be the last day of the month. Important: There must be no date gaps between any FWSPAY line entries. Deviations from these requirements will result in inflation errors.</p> <p>Data Source: AFCQMI Issued Values</p>
10, FTE Available Work Hours And Pay Conversion Hours	<p>Review to ensure table values match the current values issued by AFCQMI.</p> <p>Data Source: AFCQMI Issued Values</p>
12, Useful Life And Disposal Values	<p>Review to determine if table values issued by AFCQMI were changed. Installation changes or additions to this table are authorized, but must be supported with documented rationale. This audit is only required for those</p>

	capital equipment and facility assets (if any) included in the cost comparison. Data Source: AFCQMI Issued Values
13, Tax Rates	Review to ensure table value selected for the service under study is appropriate and matches the current table value issued by AFCQMI. Data Source: AFCQMI Issued Values
14, Military Composite Rates	1. Review to ensure the rates shown in this table were in effect as of the <u>as of date of the base year</u> shown in the study. Also check the effective day, month and year of the <u>from and to</u> dates shown in this table to ensure they are correct. All dates must be the same for every line entry shown on this table. This audit is only required when military positions are included in the study. Data Source: AFCQMI Issued Values
COMPARE Error List (<i>Note:</i> This is not a table.)	Review to ensure it does not contain any table errors. All table errors must be corrected. Also audit other potential non-table related errors shown on the error list to determine if corrections are appropriate. Source: To view list, select appropriate COMPARE study menu option or request copy from study developer.

STEP 3, Individual Record Audits. Perform the following record entry reviews to determine their correctness:

STUDY RECORD	DATA ELEMENT	REVIEWS REQUIRED
Study Characteristics Record	10a, Announced Method Of Operation Code	Was correct code entered? Code I is appropriate when: (1) The activity under study is government operated, and (2) The activity is not competing for the right to perform any currently contracted work. Code E is appropriate when the study involves: (1) a government operated activity which is competing for the right to perform both the work it now performs as well as currently contracted work; or (2) A government operated activity which is being expanded. Code C is appropriate when the activity under study is fully contracted. Code N is appropriate when the study involves a new requirement not currently performed in-house nor by contract.
	14a, GS Grade Step Average	Must be Step 5 when GS positions are included in the study. Written HQ USAF approval is required for any deviation.
	14b, FWS Grade Step Average	Must be Step 4 when wage grade positions are included in the study. Written HQ USAF approval is required for any deviation.
	16, Justification For Step Deviation	Must be Y for any grade step deviations. Check line rationale to ensure appropriate explanations were included.
Civilian Personnel Requirements And Costs Record (Line 1 Records only)	P4, EPA?	Is entry correct? A “Y” entry is appropriate only for positions subject to an economic price adjustment. That determination is made by the contracting officer in coordination with the Department of Labor. All other positions must be “N”.
Material And Supply Costs Record (Line 2 Records)	M4, EPA?	Is entry correct? The entry should normally be “N”. A “Y” entry is appropriate only for materials and supplies subject to an economic price adjustment. That determination is made by the contracting officer in

		coordination with the Department of Labor. All other records must be N.
One Time Conversion Costs - Severance Pay Record (Line 12 Record)	C2a, Apply Standard Computations?	Must be "Y" unless written HQ USAF approval has been provided.
Other Records (All Lines)		<p>Review all study records, for all Cost Comparison Form line numbers, to determine if records were established to identify all relevant costs associated with an in-house and contract operation, and to ensure records relating to common "wash" costs were <u>not</u> included in the Government Cost Estimate computations. Common costs, however, must be identified in the study documentation.</p> <p>Reference Sources: AFP 26-12 (as supplemented by HQ USAF/XPMR memorandums) Management Plan PWS</p>

STEP 4, Cost Comparison Form Audits. Check the total column entries in the Cost Comparison Form to ensure total values match the total values in the worksheets. The totals in both sets of documents should match, except for minor rounding differences (usually less than \$1.00). Differences between entries in the Cost Comparison Form and worksheets (as well as mathematical errors) will occur when COMPARE is not provided the amount of conventional memory prescribed in the Users Manual or when the Cost Comparison Form and supporting worksheets are not current.

COST COMPARISON FORM (CCF) LINE NUMBER	REVIEW TOTAL VALUE FOR THE COST COMPARISON FORM LINE NUMBER SHOWN ON LEFT COLUMN BY COMPARING IT AGAINST THE FOLLOWING WORKSHEET(S)
1. Personnel Costs	Line 1, Personnel Costs Worksheet For 1st And Subsequent Performance Periods (Compare against End-Of-Report Summary Total)
2. Material And Supply Costs	Line 2, Material And Supply Costs Worksheet For 1st And Subsequent Performance Periods (Compare against End-Of-Report Summary Total)
3. Other Specifically Attributable Costs	Line 3, Other Specifically Attributable Costs Summary Worksheet (Compare against last Total column entry)
4. Overhead Costs	Line 4, Overhead Costs Worksheet (Compare against last Total column entry)
5. Cost of Capital	<p>1. By performance period, sum the Cost of Capital totals from the following worksheets:</p> <p>a. Capital Equipment Assets, Basic Data Used To Develop The Other Specifically Attributable Costs Summary Worksheet (Line 3)</p> <p>b. Capital Facility Assets, Basic Data Used To Develop The Other Specifically Attributable Costs Summary Worksheet (Line 3)</p> <p>2. Compare summed total against Total column entry on CCF.</p>
6. One-Time Conversion Costs (ENRC)	Lines 6 and 12, One-Time In-House and Contract Conversion Costs Worksheet. Used only for ENRC cost comparisons (Compare against Cost Category A on worksheet).
7. Additional Costs	Lines 7 and 11, Additional Costs Worksheet For 1st And Subsequent Performance Periods (Compare against Cost Category A on worksheet).
8. Total In-House Costs	Sum values shown under Total column of Cost Comparison Form for lines 1 through 7 and compare result against value displayed on Cost Comparison Form.
9. Contract or ISSA Price	Contract or ISSA Price (Line 9) And Federal Income Taxes (Line 14). This worksheet is reviewed twice:

	<p>(1) <u>During Initial Independent Review</u>: Review to determine the appropriateness of the Industry Code entered in data element T1a of this worksheet. The list of industry codes allowed by the Office Of Management And Budget are in Study Table 13 (Tax Rates). Through discussions with the developer, determine if a code was selected that best relates to the type of service being cost compared. These decisions are not clear cut and often require the application of best judgment.</p> <p>(2) <u>After Bid Opening</u>. Review to ensure the correct price was:</p> <p>(a) Provided by the contracting officer. In determining the contract price to be recorded, the type of contract must be considered. Check with the contracting officer to make sure the following rules were applied in determining the contract price:</p> <p>(1) For a sealed bid, firm fixed price contract, the price of the low responsible, responsive offeror is entered. If a firm fixed price contract is to be negotiated, the negotiated price is entered.</p> <p>(2) For a cost-reimbursement or cost-sharing type contract, the low negotiated estimate is entered.</p> <p>(3) For a contract with an incentive or award fee contract, 65 percent of the potential maximum incentive or award fee plus the contract cost of the most advantageous offer to the Government is entered.</p> <p>(4) For a time and material or labor-hour contract, the estimated total cost of the successful bid or offer is entered.</p> <p>(b) Recorded by the developed of the Cost Comparison form. This is determined by validating the entry with the Contracting Officer.</p>
10. Contract Administration	Perform two audits: (1) Compare Total column entry on Cost Comparison Form against last entry in Total column of worksheet titled: "Line 10, Contract Administration Costs Summary Worksheet", and (2) Audit the worksheet titled "Base Year Contract Administration Personnel Costs Worksheet, Basic Data Used To Develop The Contract Administration Costs Summary Worksheet (Line 10)" to ensure the total number of full-time equivalent positions shown does not exceed the number authorized in HQ USAF Memo, 6 Sep 96, Air Force Costing Policy and Procedures for Cost Comparisons and Direct Conversions.
11. Additional Costs	Lines 7 And 11, Additional Costs Worksheet For 1st And Subsequent Performance Periods (Compare against Cost Category B on worksheet).
12. One-Time Conversion Costs	Lines 6 and 12, One-Time Contract Conversion Costs Worksheet (Compare against Cost Category B on worksheet).
13. Gain on Assets	Line 13, Gain on Assets Worksheet (Capital And Minor Items) (Compare against last entry shown under Column G, End Of Report Totals).
14. Federal Income Taxes (Deduct)	Contract Price (Line 9) And Federal Income Taxes (Line 14) (Compare against Total value shown under Column E). This edit is performed after bid opening.
15. Total Contract or ISSA Costs	Sum values shown under Total column of Cost Comparison Form for lines 7 through 12 and compare result against value displayed on Cost Comparison Form. This edit is performed after bid opening.
16. Minimum Conversion Differential	This line must show an entry unless a HQ USAF waiver is on file approving non-application of the conversion differential. Also, the accuracy of this value should be validated when errors are discovered in the preceding Cost Comparison Line numbers. These errors may indicate that: (1) The COMPARE program was not provided the amount of conventional memory prescribed by the Users Manual or (2) The Cost Comparison Form and/or supporting worksheets <u>are not</u> current. The correctness of this entry may be validated using the procedures at attachment 2.
17. Adjusted Total Cost of In-house Performance	1. In-house to Contract Cost Comparisons. For pure in-house to contract cost comparisons (i.e., cost comparison does not involve a mix of existing in-house, contract, new or expanded requirements, or assumes full or partial conversions to in-house performance), the entry should reflect the sum of line 8.

	2. Expansions, New Requirements and Conversion From Contract to In-house Performance. The entry should reflect the sum of lines 8 and 16.
18. Adjusted Total Cost of Contract or ISSA Performance	1. In-house to Contract Cost Comparisons. For pure in-house to contract cost comparisons (i.e., cost comparison does not involve a mix of existing in-house, contract, new or expanded requirements, or assumes full or partial conversions to in-house performance), the entry should reflect the sum of lines 15 and 16 should be entered. 2. Expansions, New Requirements and Conversion From Contract to In-house Performance. The entry should reflect the sum of line 15.
19. Decision - Line 18 Minus Line 17	Entry should reflect the value of line 18 minus line 17.
20. Cost Comparison Decision	1. Accomplish In-house. If the entry in line 19 is a positive value, an "X" should be displayed next to "Accomplish In-house." 2. Accomplish By Contract. If the entry in line 19 is a negative value, an "X" should be displayed next to "Accomplish By Contract."

STEP 5, Return Cost Comparison Form. Return cost comparison form to the servicing Manpower and Quality Office, together with the results of the review. Sign cost comparison form if no discrepancies, requiring correction, were discovered.

DOCUMENTATION CHECKLIST

This appendix lists the COMPARE documentation required for independent review of OMB Circular A-76 cost comparisons. See SAF/FMCEE additional guidance for other independent review documentation requirements.

COMPARE Study Tables

These tables contain the cost factors/rates used by COMPARE to compute costs. Appendix B of the COMPARE User's Manual lists and shows the purpose of all tables. As a minimum, ensure you are provided the following Study Tables (Not the Master Tables):

STUDY TABLE NUMBER	TITLE	WHEN REQUIRED
1	Announced Method Of Operation Code	Always required
2	GS Salary Tables	Required when study includes GS civilian positions
3	FWS Hourly Wage Factors	Required when study includes wage grade civilian positions
4	NAF Inflation Relational Table	Required when study includes non-appropriated fund civilian positions
7	Fringe/Medicare Factors	Always required
8	Inflation Cost Factors/Rates	Always required
10	FTE Available Work Hours and Pay Conversion Hours	Always required
12	Useful Life And Disposal Values	Required when study includes capital equipment and capital facility costs (i.e., assets with an acquisition cost in excess of \$5000.00).
13	Tax Rates	Always required
14	Military Composite Rates	Required when study includes military positions
Other Tables		Tables 6 (Position Type Codes), 9 (Material/Supply Mark-Up Rates), 11 (Study Status Codes) may be requested when considered necessary.

COMPARE Individual Records

RECORD	DESCRIPTION	WHEN REQUIRED
Study Identification		Always Required
Study Characteristics		Always Required
Other Records		Optional. Includes individual records for all costs entered by a technician. Instead of requesting printed copies, records should be

		viewed on the computer screen using COMPARE.
--	--	---

COMPARE Worksheets

These are the worksheets produced by COMPARE in support of the cost entries in the Cost Comparison Form.

COST COMPARISON FORM LINE NUMBER	WORKSHEETS PRODUCED
IN-HOUSE PERFORMANCE COSTS	
1. Personnel Costs	<ul style="list-style-type: none"> - Line 1, Base Year Personnel Costs Worksheet - Line 1, Personnel Costs Worksheet For 1st and Subsequent Performance Periods
2. Material & Supply Costs	<ul style="list-style-type: none"> - Line 2, Base Year Material and Supply Costs Worksheet - Line 2, Material and Supply Costs Worksheet for 1st and Subsequent Performance Periods
3. Other Specifically Attributable Costs	<ul style="list-style-type: none"> - Line 3, Other Specifically Attributable Costs Summary Worksheet - Capital Equipment Assets, Basic Data Used To Develop The Other Specifically Attributable Costs Summary Worksheet (Line 3) And The Cost of Capital (Line 5) - Capital Facility Assets, Basic Data Used to Develop The Other Specifically Attributable Costs Summary Worksheet (Line 3) And The Cost of Capital (Line 5) - Minor Items, Basic Data Used To Develop The Other Specifically Attributable Costs Summary Worksheet (Line 3) - Casualty And Liability Insurance Computations Worksheet, Basic Data Used To Develop The Other Specifically Attributable Costs Summary Worksheet (Line 3) - Rental Costs Worksheet, Basic Data Used To Develop The Other Specifically Attributable Costs Summary Worksheet (Line 3) - Maintenance and Repair Costs Worksheet, Basic Data Used To Develop The Other Specifically Attributable Costs Summary Worksheet (Line 3) - Utility Costs Worksheet, Basic Data Used To Develop The Other Specifically Attributable Costs Summary Worksheet (Line 3) - Travel Costs Worksheet, Basic Data Used To Develop The Other Specifically Attributable Costs Summary Worksheet (Line 3) - Other Costs Worksheet, Basic Data Used To Develop The Other Specifically Attributable Costs Summary Worksheet (Line 3)
4. Overhead Costs	- Line 4, Overhead Costs Worksheet
5. Cost of Capital	The worksheets produced in Line 3 for Capital Equipment Assets and Facility Assets serve the dual purpose of documenting costs for both Lines 3 and 5; therefore, a separate worksheet for this line is not produced nor required.
6. One-Time Conversion Costs (ENRC)	<ul style="list-style-type: none"> - Lines 6 and 12, One-Time In-House And Contract Conversion Costs Worksheet <p><u>Note:</u> This is a dual purpose worksheet that documents costs for both Lines 6 and 12. It is produced under Line 6.</p>
7. Additional Costs	- Lines 7 and 11, Base Year Additional Costs Worksheet

	- Lines 7 and 11, Additional Costs Worksheet For 1st And Subsequent Performance Periods <u>Note:</u> This is a dual purpose worksheet that documents costs for both Lines 7 and 11. It is produced under Line 7.
8. Total In-house Costs	COMPARE enters the sum of Lines 1 through 7. No worksheets are produced for this line.

COST COMPARISON FORM LINE NUMBER	WORKSHEETS PRODUCED
CONTRACT OR ISSA PERFORMANCE COSTS	
9. Contract or ISSA Price	- Contract/ISSA Price (Line 9) and Federal Income Taxes (Line 14) Worksheet
10. Contract Administration	- Base Year Contract Administration Personnel Costs Worksheet, Basic Data Used To Develop The Contract Administration Costs Summary Worksheet (Line 10) - Contract Administration Personnel Costs Worksheet For 1st and Subsequent Performance Periods, Basic Data Used To Develop The Contract Administration Costs Summary Worksheet (Line 10) - Base Year Contract Administration Material And Supply Costs Worksheet, Basic Data Used To Develop The Contract Administration Costs Summary Worksheet (Line 10) - Contract Administration Material And Supply Costs Worksheet For 1st and Subsequent Performance Periods, Basic Data Used To Develop The Contract Administration Costs Summary Worksheet (Line 10) - Line 10, Other Specifically Attributable Contract Administration Costs Summary Worksheet - Contract Administration Capital Equipment Assets, Basic Data Used To Develop The Other Specifically Attributable Contract Administration Costs Summary Worksheet (Line 10) - Contract Administration Capital Facility Assets, Basic Data Used To Develop The Other Specifically Attributable Contract Administration Costs Summary Worksheet (Line 10) - Contract Administration Minor Items, Basic Data Used To Develop The Other Specifically Attributable Contract Administration Costs Summary Worksheet (Line 10) - Casualty And Liability Insurance Computations Worksheet, Basic Data Used To Develop The Other Specifically Attributable Contract Administration Costs Summary Worksheet (Line 10) - Contract Administration Rental Costs Worksheet, Basic Data Used To Develop The Other Specifically Attributable Contract Administration Costs Summary Worksheet (Line 10) - Contract Administration Maintenance And Repair Costs Worksheet, Basic Data Used To Develop The Other Specifically Attributable Contract Administration Costs Summary Worksheet (Line 10) - Contract Administration Utility Costs Worksheet, Basic Data Used To Develop The Other Specifically Attributable Contract Administration Costs Summary Worksheet (Line 10) - Contract Administration Travel Costs Worksheet, Basic Data

	<p>Used To Develop The Other Specifically Attributable Contract Administration Costs Summary Worksheet (Line 10)</p> <ul style="list-style-type: none"> - Other Contract Administration Costs Worksheet, Basic Data Used To Develop The Other Specifically Attributable Contract Administration Costs Worksheet (Line 10) - Line 10, Contract Administration Costs Summary Worksheet
11. Additional Costs	<ul style="list-style-type: none"> - Lines 7 and 11, Base Year Additional Costs Worksheet. <u>Note:</u> This is the same worksheet produced under Line 7. - Lines 7 and 11, Additional Costs Worksheet For 1st And Subsequent Performance Periods. <u>Note:</u> This is a dual purpose worksheet that documents costs for both Lines 7 and 11. It is produced under Line 7.
12. One-Time Conversion Costs	<ul style="list-style-type: none"> - Line 12, One-Time Contract Conversion Costs Worksheet. <u>Note:</u> This worksheet is only produced for in-house to contract cost comparisons. - Lines 6 and 12, One-Time In-House And Contract Conversion Costs Worksheet. <u>Note:</u> This is a dual purpose worksheet that documents costs for both Lines 6 and 12. It is produced under Line 6.
13. Gain on Assets	<ul style="list-style-type: none"> - Line 13, Gain on Assets Worksheet (Capital And Minor Items)
14. Federal Income Tax (Deduct)	<ul style="list-style-type: none"> - Contract/ISSA Price (Line 9) And Federal Income Taxes (Line 14) Worksheet. <u>Note:</u> This is a dual purpose worksheet that documents costs for both Lines 9 and 14. It is produced under Line 9.
15. Total Contract or ISSA Costs	<p>COMPARE enters the sum of Lines 9 through 14. No worksheets are produced for this line.</p>

REVIEW OF CONVERSION DIFFERENTIAL CALCULATIONS

COMPARE automatically computes the conversion differential using the below listed formulas. These formulas are used by the Independent Reviewer to validate the conversion differential entry.

FORMULAS FOR COMPUTING THE MINIMUM CONVERSION DIFFERENTIAL	
Definition of Formula Variables	
Variable and Variable Name	Worksheet Or Individual Record Source
A = Total Personnel Costs From Line 1	Line 1, Personnel Costs Worksheet for 1st and Subsequent Performance Periods (End-Of-Report Summary Total)
B = Ratio of Added Personnel Costs Related To An Expansion	This represents the ratio of Line 1 personnel costs related to the expansion divided by Line 1 total personnel costs. Example: \$500K (personnel costs related to expansion) / \$2.1M (total line 1 personnel costs) = .238. Important: Whenever a cost comparison involves a mix of existing in-house, contract, new or expanded requirements, or assumes full or partial conversions to in-house performance, each portion is addressed individually and the total minimum differential is calculated accordingly. When using the COMPARE software program, these type of cost comparisons are treated as expansions to permit COMPARE to individually address and appropriately calculate each portion.
C = Cost Differential Factor	10% (or \$10M, whichever is less). This entry may be a negative or positive value. It will be a negative value when in-house personnel costs related to an expansion (as specified by value B) are less than 50%.
X = Conversion Differential	The result of the computations.
Formulas Applied to Each Type of Cost Comparison	
Type of Cost Comparison	Formula
In-House To Contract (i.e., when the entry for data element 10a of the Study Characteristics record is "I").	$X = A * C$ or \$10M, whichever is less
Expansion (i.e., when the entry for data element 10a of the Study Characteristics record is "E").	$X = (A * B * C) - [A * (1-B) * C]$ or \$10M, whichever is less
Contract To In-House (i.e., when the entry for data element 10a of the Study Characteristics record is "C").	$X = A * C$ or \$10M, whichever is less
New Requirement (i.e., when the entry for data element 10a of the Study Characteristics record is "N").	$X = A * C$ or \$10M, whichever is less

REVIEW OF STREAMLINED COST COMPARISONS (SCCs)

1. General. This attachment outlines the review procedures for an A-76 streamlined cost comparison. Essentially, the streamlined cost comparison process is authorized for CAs that are regularly performed by contract. Thus, it assumes that existing fixed price contracts can be used, with only minor modification, to define the scope of the competition and to avoid the need for development of a new PWS or a formal solicitation.

2. Criteria for Performing Simplified Cost Comparisons. Streamlined cost comparisons are limited to activities that meet the following criteria:

The CA must involve 65 FTEs or less.

The CA will compete largely on a labor and material cost basis such as, but not limited to, custodial, grounds, refuse, pest control, warehousing, and maintenance services.

The CA is commonly contracted, e.g., there are not less than four comparable AF contracts of the same general type and scope and the range of the existing service contract costs are reasonably grouped.

The CA will not require purchase of significant capital assets or all equipment requirements will be government furnished and contractor operated (GOCO).

3. General Overview of Process:

HQ USAF/XPMR approval is obtained, and the initiative is publicly announced.

The current in-house organization is certified as an MEO.

The Government cost estimate, based on an all civilian workforce, is developed, and all required signatures (including MEO certification) are obtained.

The Government cost estimate is independently reviewed.

The servicing Manpower and Quality Office provides the Government cost estimate, in a sealed envelope, to the contracting officer.

The contracting officer develops a range of contract cost estimates based upon not less than four comparable service contracts or ISSA offers. Adjustments for differences in scope may be necessary. The contracting officer is not required to issue a solicitation. If

the contracting officer finds that four comparable contracts or ISSA offers are not available, the contracting officer may issue a solicitation. The solicitation will include the following statement: “The solicitation will be canceled if bids/proposals received are higher than the current cost of in-house operations.”

The contracting officer provides the contract or ISSA price to be entered on the Cost Comparison Form.

The cost comparison form is completed, reviewed by the independent reviewer and returned to the contracting officer.

The Contracting Officer announces the results of the cost comparison.

The Administrative Appeal Process is initiated.

For in-house decisions, post-MEO Reviews are performed.

4. Independent Review of SCCs. The procedures for an SCC and its associated independent review differ markedly from those of a full cost comparison. Neither a PWS nor Management Plan/MEO is required. To review an SCC:

First, determine the answers to the following questions:

Has written HQ USAF/XPMR approval been received?

Does the CA involve 65 FTEs or less?

Will the CA compete largely on a labor and material cost basis?

Is the CA commonly contracted, e.g., there are not less than four comparable AF contracts of the same general type and scope and the range of the existing service contract costs are reasonably grouped? **Note:** While the reviewer should pose this question, ultimately the contracting office should make this determination. The reviewer serves as a reasonable check on this determination.

Will the CA **NOT** require purchase of significant capital assets or will all equipment requirements be government furnished and contractor operated (GOCO)?

If the study involves an in-house to contract conversion, are costs based on the current organization?

If you answered “**No**” to any of the questions above, notify the servicing Manpower and Quality Office that an SCC is not appropriate.

Secondly, review the COMPARE documentation. Determine if all costs have been appropriately documented and all required signatures obtained. Notify the servicing Manpower and Quality Office or preparer of the cost comparison of any discrepancies found. In an SCC, entries for only certain cost comparison form line numbers are completed. These line numbers, however, must be completed in accordance with attachment 1 of this chapter. These are:

Cost of In-house Performance.

Line 1, Personnel Costs. Costs must be based on an all civilian workforce and include the cost of in-house FTEs as well as Contract Administration FTEs (if any) for subcontracts to be used by the activity under study.

- Line 2, Material and Supply Costs. Must include the cost of items to be used by the in-house activity, but withheld from a potential contract or ISSA provider. For subcontracts, entry must also include the cost of Government-furnished materials and supplies, as well as the cost of materials and supplies used by contract administration to administer these subcontracts.

Line 3, Other Specifically Attributable Costs. May only include the price of subcontracts (if any) to be used by the in-house activity and the cost of Government-furnished equipment and facilities. Should also include the other costs (if any) incurred by Contract Administration to administer these subcontracts.

Line 4, Overhead Costs.

Line 8, Total In-House Costs.

Cost of Contract or ISSA Performance.

Line 9, Contract or ISSA Price . Includes the price provided by the contracting officer. This price may represent either the estimated or actual contract or ISSA price. If an estimated price is used, it is based on the contract price range developed by contracting officer. If an actual price is used, it is based on prices received from a formal solicitation.

Line 10, Contract Administration

Line 14, Federal Income Tax (Deduct)

Line 15, Total Contract or ISSA Costs

Decision

Line 16, Minimum Conversion Differential

Line 17, Adjusted Total Cost of In-house Performance

Line 18, Adjusted Total Cost of Contract Performance

Line 19, Decision - Line 18 Minus Line 17

Line 20, Cost Comparison Decision

REVIEW OF COST ESTIMATES FOR DIRECT CONVERSIONS

1. Criteria for Performing a Direct Conversion. The direct conversion of an activity from in-house to contract or ISSA performance is permitted when:

It is completely performed by military personnel, and there are no critical military skills or unsatisfactory rotation index skill involved; or it is completely or partially performed by 10 or less Air Force appropriated fund civilian employees and any number of military and/or nonappropriated fund employees.

It involves the purchase of services from a qualified nonprofit agency serving people who are blind or with severe disabilities, or a firm with 51% Native American ownership (10 USC, 2461), regardless of the number of military and/or civilian employees in the in-house workforce.

The conversion is cost effective.

Important: A conversion from contract or ISSA to in-house performance may only be justified by a cost comparison or for national defense reasons (i.e., readiness - under which case a cost comparison is not required).

2. General Overview of Process. A direct conversion generally involves two major steps. These are:

Step 1: Market Analysis. The contracting officer performs a market analysis that compares the current cost of in-house operations to potential contract or ISSA performance costs. The steps in this process are:

A Government cost estimate, based on the current organization and workforce (military and/or civilian), is developed by the functional OPR and servicing Manpower and Quality Office. An MEO is not developed nor is the current organization certified as an MEO.

The Government cost estimate is independently reviewed.

The servicing Manpower and Quality Office provides the Government cost estimate (including the COMPARE Estimate of Maximum Acceptable Contract Bid Prices) in a sealed envelope to the contracting officer.

The contracting officer develops a range of contract cost estimates based upon not less than four comparable service contracts or ISSA offers. Adjustments for differences in scope

may be necessary. If the contracting officer finds that four comparable contracts are not available, the processes itemized in step 2 (Solicitation for Bids/Proposals) are initiated.

The contracting officer opens the Government Cost Estimate and provides to the servicing Manpower and Quality Office both the Government Cost Estimate and the contract or ISSA cost estimate (based on the results of the market analysis) to be entered on Line 9.

The cost comparison form is completed by the servicing Manpower and Quality Office, reviewed by the independent reviewer, and returned to the contracting officer.

The contracting Officer reviews the results of the cost comparison. If the cost comparison indicates:

In-house performance is less expensive, the activity is retained in-house provided the number of military and appropriated fund civilian FTEs in the activity do not exceed 10 (nonappropriated fund positions are not counted against this threshold). Otherwise, a full cost comparison is initiated.

Contract performance may be least expensive:

HQ USAF/XPMR approval is requested for the direct conversion.

Step 2, Solicitation for Bids/Proposals.

HQ USAF/XPMR approval is requested (if not already obtained) for the direct conversion.

A public announcement is made.

A PWS is developed.

The contracting officer issues a solicitation for bids/proposals. The solicitation includes the following statement: “The solicitation will be canceled if bids/proposals received are higher than the current cost of in-house operations.”

The price of the selected contractor or ISSA provider is provided to the servicing Manpower and Quality Office for entry onto the cost comparison form.

The cost comparison form is completed, independently reviewed, and returned to the contracting officer. If the cost comparison (based on the solicitation) indicates:

In-house performance is less expensive, the activity is retained in-house provided the number of military and appropriated fund civilian FTEs in the activity do not

exceed 10 (nonappropriated fund positions are not counted against this threshold). Otherwise, a full cost comparison is initiated.
Contract performance is least expensive, the activity is outsourced.

3. Independent Review of Direct Conversions.

Step 1, Market Analysis.

Determine answers to the following questions:

Does the CA involve 10 or less appropriated fund civilian employees? There is no limit on the number of military and/or nonappropriated fund civilian employees involved.

Is the Government cost estimate based on the current organization and workforce structure (i.e., an MEO was not developed).

If either of these answers is “**No**”, notify the servicing Manpower and Quality Office that the activity does not meet the requirements for a direct conversion.

Review the COMPARE documentation. As a minimum, determine if all costs have been appropriately documented in accordance with Attachment 1 of this chapter, and all required signatures obtained. Except as shown below, all cost comparison form line numbers are completed and the procedures in Attachment 1 of this chapter apply. Exceptions:

Line 9, Contract or ISSA Price. During the market analysis phase, this price represents the estimated contract or ISSA price developed by the Contracting Officer.

Line 16, Minimum Conversion Differential. ***Important:*** The minimum conversion differential is not applied. Therefore, this line should not contain an entry.

Lines 22 through 26, Signatures. Signatures are obtain for lines 11 through 26. A signature is not required for Line 21 (In-house MEO Certification)

Step 2, Solicitation for Bids/Proposals.

Determine answer to the following question: Has HQ USAF/XPMR approval been received for the direct conversion? If the answer is “**No**”, notify the servicing Manpower and Quality Office that the independent review cannot be completed until receipt of approval.

Review the COMPARE documentation. With one exception, the COMPARE documentation review procedures in Step 1 above apply. ***Exception:*** The entry on Line 9

(Contract or ISSA Price) will be the actual price (not market analysis estimate) selected by the Contracting Officer from the solicitation of bids/offers.

**REVIEW OF COST ESTIMATES FOR
DETERMINING FAIR AND REASONABLE CONTRACT PRICES FOR NEW
SERVICES**

1. General. When soliciting for new service contracts, the contracting office requires functional OPRs to develop an estimate of costs to be used in judging the fairness and reasonability of potential contract prices. These are contracts for services not currently performed by an in-house activity, nor which the Government wishes to perform using Federal employees. However, when the Government is competing for the right to perform these services, a full cost comparison must be performed and the review procedures described in this attachment do not apply.

2. Criteria for Performing a Direct Conversion. The service to be solicited is not currently performed by a military and/or appropriated fund civilian workforce, and the Government is not competing for the right to perform the service.

3. General Overview of Process:

A PWS and conceptual MEO (based on an all civilian workforce) are developed. A Technical Performance Plan (TPP) is not developed.

The Government cost estimate is developed by completing only those Cost Comparison Form Line numbers associated with In-House Performance Costs (i.e., Lines 1 through 8.) Government Contract or ISSA Performance Costs (i.e., Lines 9 through 15) are not developed. It may be developed by the functional OPR in consultation with the servicing Manpower and Quality Office.

The Government cost estimate is independently reviewed by Financial Management, if requested. This requirement, however, is optional and is a decision of the Contracting Officer.

The servicing Manpower and Quality Office or functional OPR provides the Government cost estimate, in a sealed envelope, to the contracting officer.

The Contracting Officer issues a solicitation and determines the fairness and reasonableness of private sector bids or offers received.

A contract is issued if prices received are considered fair and reasonable. If prices received are not considered fair and reasonable:

A re-evaluation of the Government Cost Estimate may be requested, or

A full cost comparison conducted to justify in-house performance.

4. Independent Review of Cost Estimates for New Services.

First, determine the answers to the following questions:

Is the Government competing for the right to perform the service? If yes, return to the servicing Manpower and Quality Office or functional OPR, and indicate a full cost comparison must be conducted.

Are costs based on a PWS and conceptual MEO? If no, return to the servicing Manpower and Quality Office or functional OPR, and indicate absence of these documents does not permit proper performance of an independent review.

Secondly, review the COMPARE documentation. The procedures in Attachment 1 of this chapter apply except as follows:

In-House Performance Costs. Only Lines 1 through 8 are completed.

Contract or ISSA Performance Costs. Lines 9 through 15 are left blank.

Decision. Lines 16 through 20 are left blank.

Minimum Conversion Differential (Line 16). **Important:** No entry is made to this line.

Signatures (Lines 22 and 23a). Signatures are obtained for Line 22 and when independently reviewed, Line 23a.